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03 November 1982

DCI TALKING POINTS

Central America Update

I. El Salvador

- The recent insurgent offensive appears to have ended, although acts of sabotage are likely to continue.
- The government still has not launched a full scale counter attack to retake lost territory because of fears of another large assault.
- These fears appear unfounded, however, and there is no confirmation of reports that large numbers of Nicaraguans have been air dropped into the country.
- Although the offensive has not captured any significant targets, it has demonstrated the guerrillas remain a potent force.
- The insurgents likely will remain capable of such initiatives as long as the arms flow from Cuba via Nicaragua continues.
- Meanwhile, the guerrillas have scored a propaganda victory by again calling for a negotiated solution.

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- The insurgent offensive has caused new strains in the fragile "National Unity" government.
- D'Aubuisson has used the occasion to attack Defense Minister Garcia's conduct of the war and to reject any dialogue with the left.
- Thus President Magana's efforts to form a peace commission will likely be delayed.
- Garcia and Magana have counterattacked by attempting to form a broad political alliance to isolate D'Aubuisson and his hardline supporters.
- Unless this effort succeeds, Magana and Garcia will have difficulty making progress on the various issues, such as continuing economic reforms and progress on the murder cases, necessary for US Congressional aid certification.

II. Nicaragua

- Despite their recent diplomatic victory at the UN, the Sandinistas are sensitive to increasing West European criticism of their lack of pluralism.
- They have offered some concessions to the opposition, but the new proposals will not weaken Sandinista political control.
- Meanwhile, Managua has stepped up its propaganda campaign that it is a victim of US-Honduran collusion to overthrow the regime.

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- Nicaragua has attempted to counter the recent San Jose meeting of regional Foreign Ministers by emphasizing Honduran unwillingness to talk bilaterally and by accepting the Mexican-Venezuelan peace initiative.
- The Sandinistas have also attacked the joint US-Honduran military exercises scheduled for December as a threat to Nicaragua.
- Attacks by anti-Sandinista forces operating from Honduras have increased in the past few months.

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- They continue to be hindered by the presence in the Honduran groups of former members of Somoza's National Guard.
- The Nicaraguan military buildup continues.
- Libya recently delivered three helicopters, and the Soviets reportedly will deliver more helicopters soon.
- Jet fighter pilot training abroad continues, but deliveries of MIGs does not appear imminent.
- Nicaragua has experienced increasing economic difficulties because of an acute shortage of foreign exchange.
- The government has indicated that it may refuse to honor part of its foreign debt if its creditor banks to not extend a sizable new loan.

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III. Honduras

- As a result of President Suazo's close cooperation with the US, Honduras is now being targeted directly by regional and domestic Communist forces.
- The recent hostage seizure in San Pedro Sula and the previous bombing of electrical power facilities in Tegucigalpa are two examples of escalating violence.
- Nicaragua also has increased its forces on the Honduran border, including the recent movement of armored forces there.
- In the face of these growing threats, Honduras believes it must have substantial US military and economic aid on favorable terms.
- Meanwhile, the civilian government of President Suazo and the armed forces under General Alvarez continue to cooperate closely.
- The political scene remains calm, with virtually all forces except the far left seeking to make the transition to civilian rule a success.
- The economic picture is much less favorable, with little likelihood of any improvement from last year's dismal 0.3 percent economic growth.